

Message Text

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PAGE 01 EC BRU 04583 222005Z

65

ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-07

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E.O. 11652: N/A

TAGS: EIND, ETRD, EEC

SUBJECT: EC RAW MATERIAL POLICY

REF: A. EC BRUSSELS 4418 B. EC BRUSSELS 4417

C. EC BRUSSELS 4406 D. EC BRUSSELS 4344

1. THE EC COMMISSION AGREED ON A BASIC PAPER ON RAW MATERIALS POLICY AT A MEETING ON MAY 21 AND HAS SUBMITTED IT TO THE EC COUNCIL. WE ARE SENDING A FULL SUMMARY BY SEPTEL. (COPIES ARE BEING POUCHED TO EUR/RPE AND USOECD).

2. AT A MEETING WITH AMBASSADOR DENT ON MAY 22 (REPORTED SEPTEL) EC COMMISSION VICE PRESIDENT SOAMES COMMENTED ON THE PAPER. HE SAID THAT THE THREE MAJOR POINTS OF THE PAPER ARE: A) THE EC SHOULD DEAL WITH THE PROBLEM OF TARIFF ESCALATION: I.E., THE HIGH LEVEL OF PROTECTION THAT NOW EXISTS IN THE DEVELOPED COUNTRIES FOR RAW MATERIALS PROCESSING. B) THE EC SHOULD EXAMINE THE POSSIBILITY OF COMMODITY AGREEMENTS ON A CASE-BY-CASE BASIS; C) THE EC SHOULD LOOK AT THE POSSIBILITY OF AN

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PAGE 02 EC BRU 04583 222005Z

EXPANDED AND BROADER STABEX-TYPE ARRANGEMENT.

3. SOAMES SAID THAT THE COMMISSION HAD OUTLINED TWO ALTERNATIVES FOR AN ENLARGED STABEX APPROACH. THE FIRST WOULD HAVE A NARROW LIST OF COMMODITIES SIMILAR TO THAT IN THE LOME CONVENTION (TROPICAL AGRICULTURAL PLUS IRON ORE) BUT ALL LDGS WOULD BE INCLUDED. THE SECOND WOULD BE BASED ON THE UNCTAD LIST OF 19 COMMODITIES BUT WOULD BE LIMITED TO LDGS WITH A PER CAPITA INCOME OF LESS THAN \$300.

4. DURING A TALK WITH AMBASSADOR GREENWALD ON MAY 20 COMMISSIONER CHEYSSON EXPLAINED WHY HE HAD RESISTED THE INCLUSION OF METALS AND MINERALS IN THE STABEX ARRANGEMENTS. HIS ARGUMENT IS THAT THERE IS NO TRUE WORLD MARKET PRICE FOR COMMODITIES LIKE COPPER AND IRON ORE DUE TO CLOSE LINKS BETWEEN BUYERS AND PRODUCERS(E.G., CAPTIVE MINES). A STABEX-TYPE AGREEMENT FOR SUCH COMMODITIES COULD BE MANIPULATED BY PARTIES TO LONG-TERM CONTRACTS. IRON ORE HAD TO BE INCLUDED IN THE FINAL LOME COMPROMISE BUT HE WAS GLAD THAT THE ACPS DID NOT PUSH FOR OTHER METALS OR MINERALS.

5. IN CONNECTION WITH THE COMMODITY-BY-COMMODITY APPROACH WHICH CHEYSSON SUPPORTS, HE MADE A STRONG PLEA FOR INTERNATIONAL FINANCING OF INTERNATIONALLY MANAGED BUFFER STOCKS. HE SEES THIS AS ONE OF THE KEY ELEMENTS IN ANY FUTURE COMMODITY POLICY.

6. THE LATEST WORD ON THE COMMISSION PAPER IS THAT PRESIDENT ORTOLI WILL PRESENT IT TO THE EC MINISTERS IN DUBLIN ON MAY 26 AND SPEAK PARTICULARLY ON THE POLITICAL NECESSITY FOR PUSHING AHEAD ON THE BASIS OF THE COMMISSION'S APPROACH. THE HOPE IS THAT THE MINISTERS WILL REACT TO THE OVERALL THRUST OF THE PAPER AND ITS GENERAL CONTENT ALTHOUGH THEY ARE NOT EXPECTED TO GO INTO DETAIL. THE COMMISSION'S IDEAS MAY NEVERTHELESS HAVE AN IMPACT ON THE POSITION OF THE NINE FOR THE OECD MINISTERIAL. GREENWALD

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